

Message Text

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15

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 IGA-02 CIAE-00 DODE-00 INR-10

NSAE-00 PA-03 RSC-01 USIA-12 PRS-01 INT-08 L-03

FBIE-00 COME-00 EB-11 LAB-06 SIL-01 OMB-01 TRSE-00

SS-15 NSC-10 RSR-01 /126 W
----- 079369

R 131834Z JUL 73

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 8020

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3662

NO FOREIGN DISSEM

JOINT STATE-AID MESSAGE

E.O. 11652: GDS

TAGS: ELAB, EC

SUBJECT: U.S. FINANCIAL INVOLVEMENT IN ECUADOREAN
LABOR SCENE REVEALED

1. SUMMARY: A FACTIONAL SQUABBLE BETWEEN TWO GROUPS IN THE ECUADOREAN FREE LABOR MOVEMENT HAS LED TO THE PUBLICATION IN THE PRESS OF A LETTER FROM VICTOR PALACIOS OF THE PETROLEUM WORKERS' FEDERATION ACCUSING JULIO CHANG OF DOUBLE-DEALING IN ACCEPTING U.S. FINANCIAL SUPPORT AND WORKING WITH THE EXTREME LEFT. IN PALACIOS' LETTER, HE STRONGLY IDENTIFIED HIMSELF WITH THE UNITED STATES, RAISING THE PRESUMPTION THAT HE, TOO, RECEIVES U.S. FINANCIAL SUPPORT. THIS BICKERING BETWEEN TWO U.S.-SUPPORTED LABOR LEADERS HAS THE POTENTIAL FOR SERIOUS DAMAGE TO THE U.S.-SUPPORTED LABOR PROGRAMS IN ECUADOR. EMBASSY/AID RECOMMEND PETROLEUM WORKERS' FEDERATION GIVE IMMEDIATE CONSIDERATION TO WITHDRAWING PALACIOS FROM ECUADOR. FURTHER RECOMMEND A DETAILED REVIEW OF
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U.S.-SUPPORTED LABOR PROGRAMS IN ECUADOR IN LIGHT OF

CURRENT FACTIONAL SQUABBLES, WITH VIEW TOWARD GREATER CONTROL AND COORDINATION OF THEM, OR PHASEOUT BEFORE GOE EXPELS THEM. END SUMMARY.

2. A DISPUTE BETWEEN JULIO CHANG, PRESIDENT OF FETLIG-- THE LARGE CEOSL AFFILIATE IN GUAYAQUIL, AND VICTOR PALACIOS, AN ADVISOR TO THE ECUADOREAN PETROLEUM WORKERS' UNION, HAS BROKEN INTO THE OPEN WITH THE PUBLICATION OF AN OPEN LETTER TO CHANG FROM PALACIOS WHICH APPEARED IN EL UNIVERSO OF GUAYAQUIL ON JULY 10. THE ORIGIN OF THE DISPUTE PROBABLY LIES IN THE DISAGREEMENT BETWEEN CEOSL AND FETLIG OVER ALLEGED CORRUPTION AND MALFEASANCE IN THE LATTER ORGANIZATION. PALACIOS IS A FRIEND AND SUPPORTER OF LUIS VILLACRES, THE PRESIDENT OF CEOSL. FYI WE HAVE HEARD THAT CHANG MAY BE CHARGED WITH CORRUPTION OR MALFEASANCE IN THE NEAR FUTURE BY A GUAYAQUIL SPECIAL TRIBUNAL. END FYI.

3. THE LETTER, WHICH WAS WRITTEN IN THE FAMILIAR FORM, IS RATHER CHILDISH IN TONE BUT MAKES THE POINT THAT CHANG IS TWO-FACED IN ASSERTING THAT PALACIOS IS "AN AGENT OF THE CIA, FBI AND A TOOL OF YANKEE IMPERIALISM" WHEN CHANG HAS "GONE MANY TIMES TO THE US AT THE EXPENSE OF THE AMERICANS, AND I HAVE SEEN YOU THERE PAYING HOMAGE TO THEM AND EAGERLY SPEAKING AGAINST THE ENEMIES OF THE YANKEES". PALACIOS GOES ON TO EXPRESS SURPRISE THAT CHANG SHOULD BE SPREADING FALSE RUMORS ABOUT HIM "SINCE RECENTLY IN WASHINGTON YOU SHARED A TABLE WITH ME AT THE ROGER SMITH HOTEL, WHERE I PAID THE BILL MANY TIMES AND YOU NEVER PAID IT". THE MESSAGE OF THE LETTER IS THAT CHANG HAS VERY CLOSE TIES TO THE US AND THAT HE HAS BEEN CONCEALING THIS FACT UNLIKE PALACIOS WHO HAS "NEVER DENIED MY LIKING FOR THE AMERICAN PEOPLE".

4. THE SIGNIFICANCE OF PALACIOS' LETTER IS THAT IT REVEALS PUBLICLY FOR THE FIRST TIME THAT CHANG HAS RECEIVED FINANCIAL SUPPORT FROM THE U.S. THE LETTER REVEALS BY IMPLICATION THAT PALACIOS TOO RECEIVES U.S. SUPPORT. FYI CHANG HAS GONE TO THE US AT OUR EXPENSE AND IS RECEIVING REGULAR FINANCIAL SUPPORT FROM AID THROUGH CONFIDENTIAL

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AIFLD. IT IS OUR INFORMATION THAT PALACIOS IS BEING PAID BY AID THROUGH THE PETROLEUM WORKERS FEDERATION IN DENVER. END FYI. CEOSL AND FETLIG ARE THE MAJOR TARGETS OF AIFLD IN ECUADOR AND HAVE RECEIVED CONSIDERABLE ASSISTANCE FROM AID THROUGH AIFLD.

5. PALACIOS HAS LEFT THE COUNTRY FOR A FEW DAYS IN VENEZUELA. WE HAVE BEEN TOLD BY AIFLD REP IN GUAYAQUIL

THAT CHANG DOES NOT INTEND TO RESPOND TO THIS LETTER,
BUT THIS SEEMS IMPROBABLE IN THE LOCAL CONTEXT.

6. WE BELIEVE THERE HAS BEEN A WIDESPREAD ASSUMPTION IN
ECUADOREAN LABOR MOVEMENT THAT CHANG AND PALACIOS HAVE
BEEN RECEIVING SUPPORT FROM SOME U.S. SOURCES, BUT THE
PUBLICATION OF PALACIOS' LETTER NOT ONLY REMOVES ANY
DOUBT WHICH MAY HAVE EXISTED, BUT BRINGS THE ISSUE OF
FOREIGN SUPPORT DIRECTLY TO THE ATTENTION OF THE GOE.
IT IS IMPOSSIBLE TO AVOID DRAWING THE PARALLEL
TO WHAT OCCURRED WHEN THE SOVIETS WERE DISCOVERED
SUPPORTING THE COMMUNIST LABOR FEDERATION AND SEVERAL
SOVIET EMBASSY OFFICERS WERE EXPELLED FROM ECUADOR::THE
SPECTACLE OF TWO U.S.-FINANCED LABOR LEADERS TRADING
INSULTS CAN HAVE SERIOUS CONSEQUENCES FOR THE AIFLD AND
PETROLEUM WORKERS' PROGRAM IN THIS COUNTRY.

7. PALACIOS' BEHAVIOR HAS BEEN UNSATISFACTORY IN THIS
INSTANCE. WE RECOMMEND THAT THE INTERNATIONAL
PETROLEUM WORKERS' FEDERATION IMMEDIATELY CONSIDER HIS
REMOVAL FROM ECUADOR OR OTHER REMEDIAL ACTION TO KEEP
HIM UNDER CONTROL. BEYOND THIS, WE RECOMMEND THAT THE
ENTIRE RANGE OF U.S.-SUPPORTED LABOR PROGRAMS IN
ECUADOR BE REVIEWED IN THE LIGHT OF THE EXISTING
FACTIONALISM IN THE DEMOCRATIC LABOR MOVEMENT, WITH A
VIEW TO ESTABLISHING GREATER CONTROL AND COORDINATION
OF THEM, OR TO PHASING OUT THOSE ACTIVITIES CAUSING
THE CURRENT DIFFICULTIES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR OBJECTIVES, LABOR POLICY LINE
Control Number: n/a
Copy: SINGLE
Draft Date: 13 JUL 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973QUITO03662
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS CHAPLIN
Errors: N/A
Film Number: n/a
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730735/aaaaazlj.tel
Line Count: 144
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 18 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18-Jan-2002 by martinjw>; APPROVED <08 FEB 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. FINANCIAL INVOLVEMENT IN ECUADOREAN LABOR SCENE REVEALED
TAGS: ELAB, EC, US, ECUADOREAN FREE LABOR, PETROLEUM WORKERS FEDERATION, AIFLD, (PALACIOS, VICTOR), (CHANG, JULIO)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005